

**CITY OF SIBLEY, IOWA**

**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2013**

## Table of Contents

	<u>Exhibit</u>	<u>Page</u>
<u>Officials</u>		3
<u>Independent Auditor's Report</u>		4 ó 5
<u>Management's Discussion and Analysis</u>		6 ó 12
<u>Basic Financial Statements:</u>		
Government-wide Financial Statements:		
Cash Basis Statement of Activities and Net Position	A	14 ó 15
Governmental Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	16 ó 17
Proprietary Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	18 ó 19
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Cash Basis Statement of Activities and Net Position	D	20
Notes to Financial Statements		21 ó 30
<u>Other Information:</u>		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances ó Budget and Actual (Cash Basis) ó All Governmental Funds and Proprietary Funds		32 ó 33
Notes to Other Information ó Budgetary Reporting		34
<u>Supplementary Information:</u>	<u>Schedule</u>	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances ó Nonmajor Governmental Funds	1	36 ó 37
Schedule of Indebtedness	2	38 ó 39
Bond and Note Maturities	3	40 ó 41
Schedule of Receipts by Source and Disbursements by Function ó All Governmental Funds	4	42 ó 43
Schedule of Expenditures of Federal Awards	5	45
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		46 ó 47
Independent Auditor's Report on Compliance for Each Major Federal Program, on Internal Control over Compliance and on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133		48 ó 49
Schedule of Findings and Questioned Costs		50 ó 53

**CITY OF SIBLEY, IOWA**

**OFFICIALS**

<b>NAME</b>	<b>TITLE</b>	<b>TERM EXPIRES</b>
Jerry L. Johnson	Mayor	January 1, 2014
Tim Nobles	Mayor Pro tem	January 1, 2016
Gail Buchholtz	Council Member	January 1, 2014
Mike Groote	Council Member	January 1, 2014
Jan Henningsen	Council Member	January 1, 2016
Larry Pedley	Council Member	January 1, 2014
Dan L. Janssen	Administrator	Indefinite
Kristen L. Vipond	Clerk/Treasurer	Indefinite
Harold D. Dawson	Attorney	Indefinite

EAST, VANDER WOUDE, GRANT & CO., P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

[www.evvg.net](http://www.evvg.net)

Paul T. East, CPA  
Paul W. Vander Woude, CPA  
Rose M. Grant, CPA, MST

707 WEST 11<sup>th</sup> Street  
Sioux Falls, SD 57104  
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**Independent Auditor's Report**

To the Honorable Mayor and  
Members of the City Council  
Sibley, Iowa:

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of City of Sibley, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1C. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, and each major fund of the City of Sibley, Iowa, as of June 30, 2013, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1C.

## **Basis of Accounting**

As described in Note 1C, these financial statements were prepared on the cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sibley, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the six years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The audits for the three years ended June 30, 2006 were not done by this office, but were in accordance with the standards referred to in the third paragraph of this report, and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 6 through 12 and 32 through 34 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2013 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*East, Vander Woude, Grant & Co., P.C.*

East, Vander Woude, Grant & Co., P.C.  
Certified Public Accountants  
Sioux Falls, SD  
November 25, 2013

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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City of Sibley provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2013 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 112.70%, or approximately \$2,369,000, from fiscal 2012 to fiscal 2013. Property tax increased \$71,000, charges for services increased \$10,000, local option sales tax increased \$30,000, bond proceeds increased \$186,000, and grant proceeds increased \$541,000 while general government increased \$1,531,000, mostly due to inter-fund transfers.
- Disbursements of the City's governmental activities increased 96.73%, or approximately \$2,102,000, from fiscal 2012 to fiscal 2013. Public safety disbursements increased \$49,000, public works decreased \$4,000, culture and recreation decreased \$13,000, health and social services as well as community and economic development remained the same, debt service increased \$191,000, and capital projects increased \$1,772,000 while general government increased \$107,000.
- The City's total cash basis net position increased 29.26%, or approximately \$862,000, from June 30, 2012 to June 30, 2013. Of this amount, the cash basis net position of the governmental activities increased approximately \$196,000 and the net position of the business type activities increased by approximately \$666,000.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the non-major governmental funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the electric, garbage, water, sanitary sewer system, transit service and golf course. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains fourteen Enterprise Funds to provide separate information for the electric, garbage, water, sanitary sewer system, transit service and golf course funds. Electric, water, sewer and golf funds are considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

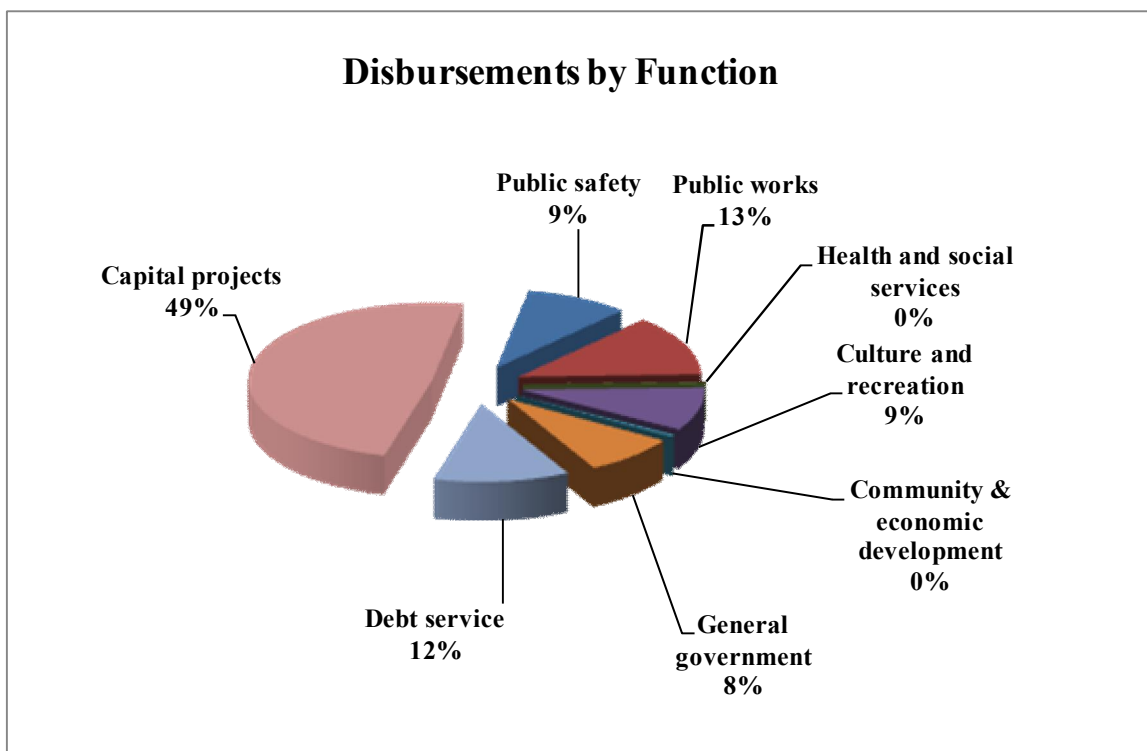
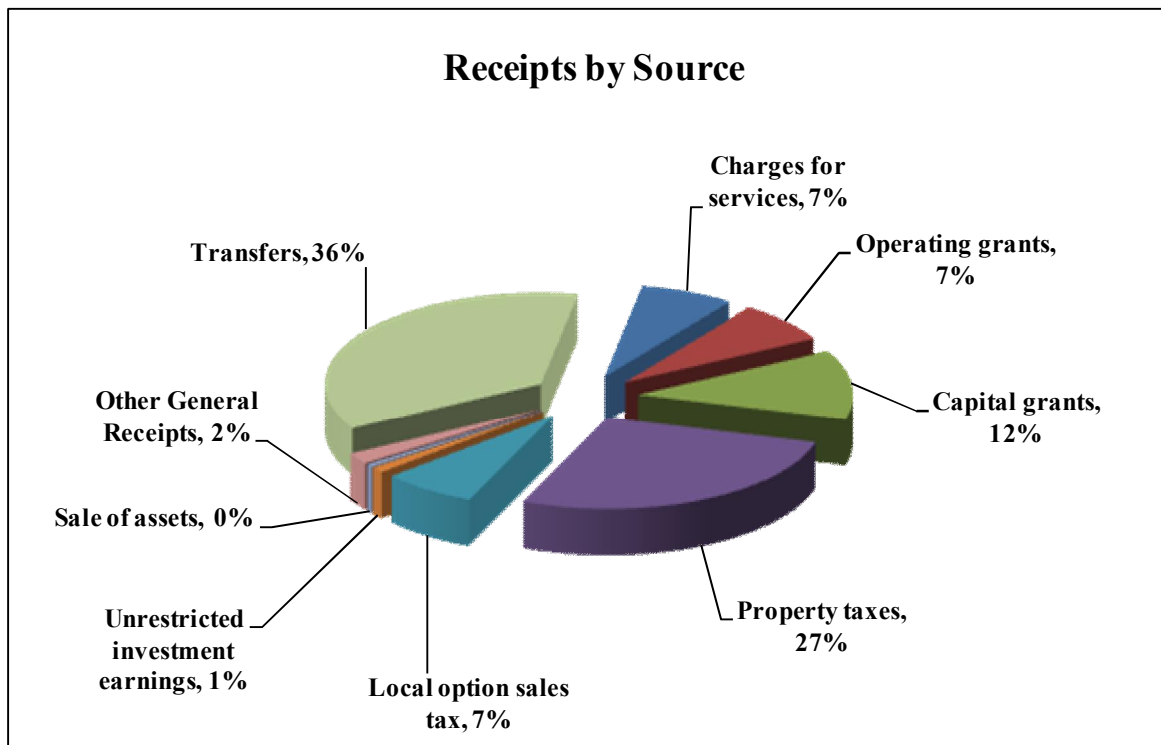
The required financial statements for proprietary funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

Reconciliations between the government-wide financial statement and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$192,400 to \$387,908. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

(Expressed in Thousands)			
	Year ended June 30,		
	2013	2012	change
Receipts and transfer:			
Program receipts:			
Charges for service	\$ 301	\$ 291	10
Operating grants, contributions and restricted interest	312	296	16
Capital grants, contributions and restricted interest	526	1	525
General receipts:			
Property tax	1,158	1,087	71
Local option sales tax	303	273	30
Unrestricted investment earnings	44	26	18
Bond proceeds	186	-	186
Sale of assets	20	-	20
Other general receipts	85	100	(15)
Transfers, net	1,536	28	1,508
Total receipts and transfers	4,471	2,102	2,369
Disbursements:			
Public safety	390	341	49
Public works	538	542	(4)
Health and social services	2	2	-
Culture and recreation	385	398	(13)
Community and economic development	17	17	-
General government	356	249	107
Debt service	510	319	191
Capital projects	2,077	305	1,772
Total disbursements	4,275	2,173	2,102
Increase (decrease) in cash basis net position	196	(71)	267
Cash basis net position beginning of year	192	263	(71)
Cash basis net position end of year	\$ 388	\$ 192	196



The City's total receipts for governmental activities increased by 112.70%, from approximately \$2,102 million to \$4,471 million in 2013. The total cost of all programs and services increased by approximately \$2,102,000, or 96.73%, with no new programs added this year. The significant increase in receipts was primarily the result of Grant revenue and inter-fund transfers compared to the prior year.

The City decreased property tax rates for 2013 and 2014 by .2%. Due to increases in total

assessed valuation, this actually increased the City's property tax receipts by approximately \$71,000 in 2013. The City's Urban Renewal Plan was amended on March 12, 2012 to allow for TIF Debt to be issued for a Water Project in the community during the current fiscal year. The TIF Levy will generate over \$302,000 in 2014 to service this debt while the general levy tax receipts are expected to only decrease by \$88,000 next year as a result of the TIF levy.

The cost of all governmental activities this year was \$4,275,107 compared to \$2,173,160 last year. However, as shown in the Cash Basis Statement of Activities and Net Position on pages 14-15, the amount taxpayers ultimately financed for these activities was only \$3,137,050 because some of the cost was paid by those directly benefited from the programs (\$300,489) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$837,568). The City paid for the remaining "public benefit" portion of governmental activities with \$1,158,225 in property tax (some of which could only be used for certain programs), local option sales tax of \$303,394, interest of \$43,951, bond proceeds of \$186,161, sale of assets of \$20,000, and general entitlements of \$84,500.

<b>Changes in Cash Basis Net Position of Business Type Activities</b>			
<b>(Expressed in Thousands)</b>			
	<b>Year ended June 30,</b>		
	<b>2013</b>	<b>2012</b>	<b>\$ change</b>
Receipts and transfer:			
Program receipts:			
Charges for service			
Electric	\$ 2,730	\$ 2,596	134
Water	579	576	3
Sewer	255	262	(7)
Golf	190	191	(1)
Other nonmajor	290	298	(8)
General receipts:			
Unrestricted investment earnings	2	2	-
Bond Proceeds	3,670	137	3,533
Grant Proceeds	490	-	490
Miscellaneous	20	-	20
Total receipts	8,226	4,062	4,164
Disbursements:			
Electric	2,421	2,318	103
Water	1,311	469	842
Sewer	217	190	27
Golf	207	243	(36)
Other nonmajor	1,868	1,184	684
Transfers	1,536	28	1,508
Total disbursements	7,560	4,432	3,128
Increase (decrease) in cash basis net position	666	(370)	1,036
Cash basis net position beginning of year	2,754	3,124	(370)
Cash basis net position end of year	\$ 3,420	\$ 2,754	666

Total business type activities receipts for the fiscal year were \$8,225,515 compared to \$4,062,034 from last year. This increase was due primarily due to bond proceeds of \$3,669,861 and grant proceeds of \$490,000. The cash balances increased by \$665,215 from the prior year due to

Capital Projects financed in the current year that were started in the prior year. Total disbursements and transfers for the fiscal year increased by \$3,128,667 from \$4,431,633 last year to a total of \$7,560,300 this year. These increases are due primarily to the Capital Projects referenced above.

### **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As City of Sibley completed the year, its governmental funds reported a combined fund balance of \$387,908, an increase of \$195,508 from last year's total of \$192,400. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$253,496 from the prior year to \$(853,984). This increase was due primarily to local option sales tax revenue and the decision to transfer available funds from the enterprise funds to the General Fund. The City intends to continue close monitoring of the disbursements to insure only necessary purchases are made while attempting to secure other sources of receipts.
- The Road Use Tax Fund cash balance decreased by \$111,751 to \$44,384 during the fiscal year. This decrease was attributable to street projects funded through reserve balances.
- The Street Improvements Capital Projects Fund saw significant activity during the year as a major street renovation project took place. The cash balance decreased by \$64,936 to \$67,514 with the budgeted use of reserves plus significant use of bond proceeds.
- The Debt Service Fund cash balance decreased by \$5,256 to \$8,552 during the fiscal year. This decrease was due to refinancing efforts that increased current year disbursements and smaller than anticipated property tax receipts.

### **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Electric Fund cash balance increased by \$280,367 to \$836,512 due primarily to the lower cost of purchased power along with increased revenue from operating our diesel generators to supply power to the grid.
- The Water Fund (which includes the Lewis and Clark Project) cash balance increased by \$10,017 to \$504,984 due primarily to leak detection efforts resulting in lower water cost.
- The Sewer Fund cash balance decreased by \$33,272 to \$228,554, due primarily to capital projects being funded with reserve balances.
- The Golf Course Fund cash balance decreased by \$29,456 to \$(360,019), due primarily to Course and Club House receipts being lower than expected.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget one time. The amendment was approved on May 13, 2013 and resulted in an increase in disbursements for public safety, and general government, while it resulted in a decrease in disbursements for public works. The City's receipts were \$1,386,149 more than the amended budget. This was primarily due to a bond refunding and additional local option sales tax receipts that were not included in the amendment.

The actual disbursements for the public works; culture and recreation; community and economic development; capital projects and business type activities were \$951; \$4,285; \$163; \$1,969; \$294,679 and \$522,709, respectively, less than the amended budget primarily due to capital projects budgeted for but not completed and cost of power being lower than budgeted while public safety and

general government were \$12,085 and \$185,373 respectively, more than the amended budget primarily due to unanticipated storm costs and a bond refunding that was not budgeted for.

## DEBT ADMINISTRATION

At June 30, 2013, the City had \$6,038,233 in bonds and other long-term debt, compared to \$2,552,911 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2013	2012
Capital Loan Notes	\$ 1,025,000	\$ 1,245,000
TIF Capital Loan Notes	2,945,000	-
Revenue notes	1,928,000	1,291,000
Capital Leases	140,233	16,911
Total	\$ 6,038,233	\$ 2,552,911

The change in debt is a result of issuing two G.O Bonds totaling \$3,140,000 and a Water Revenue Bond in the amount of \$940,000 as well as a Capital Lease in the amount of \$140,233 less debt payments of \$729,911. The City has not currently been assigned a rating by national rating agencies on the City's debt. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and TIF debt of \$3,970,000 is safely below its constitutional debt limit of \$4,804,747. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

City of Sibley's elected and appointed officials and citizens considered many factors when setting the fiscal year 2014 budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy. The City's employment growth had been flat to declining in recent years. The City experienced significant layoffs due to plant closures and cutbacks during 2008-10. Recent economic activities have begun to create new jobs. Unemployment in the City now stands at 4.2 percent, versus 5.0 percent a year ago. This compares with the State's unemployment rate of 6.5 percent and the national rate of 9.0 percent.

These indicators were taken into account when adopting the budget for fiscal year 2014. Amounts available for appropriation in the operating budget are \$6.4 million, a decrease of 33.8% from the final 2013 budget. Budgeted disbursements are expected to decrease approximately \$4.3 million or 39.7%. Decreases in capital projects for both revenue and disbursements are the main reason for the decreases. The City has added no major new programs or initiatives to the 2014 budget.

If these estimates are realized, the City's budgeted cash balance is expected to decrease by approximately \$138,000 by the close of 2014 mostly due to planned use of construction projects funds and enterprise reserves.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kristen Vipond, City Clerk, 808 Third Ave., Sibley, Iowa, 51249.

**City of Sibley, Iowa**  
**Basic Financial Statements**

**City of Sibley, Iowa**  
**Cash Basis Statement of Activities and Net Position**  
**As of and for the year ended June 30, 2013**

Functions/Programs	Disbursements	Charges for Service	Program Revenues	
			Operating Grants Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 390,006	\$ -	\$ -	\$ -
Public works	538,479	-	275,704	525,540
Health and social services	2,350	-	-	-
Culture and recreation	384,990	198,112	-	-
Community and economic development	16,837	-	36,324	-
General government	355,556	28,009	-	-
Debt service	509,563	-	-	-
Capital projects	2,077,326	74,368	-	-
Total governmental activities	4,275,107	300,489	312,028	525,540
Business type activities:				
Electric	2,420,949	2,729,853	-	-
Water / Lewis & Clark	1,310,971	578,933	-	-
Sewer	216,760	255,500	-	-
Golf	206,812	189,515	-	-
Other nonmajor	1,868,276	290,006	-	-
Total business type activities	6,023,768	4,043,807	-	-
Total	10,298,875	4,344,296	312,028	525,540
<b>General Receipts:</b>				
Property tax levied for:				
General purposes				
Tax incremental financing				
Local option sales tax				
Unrestricted interest on investment				
Grant proceeds				
Bond proceeds				
Miscellaneous				
Sale of assets				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
<b>Cash Basis Net Position</b>				
Restricted:				
Nonexpendable:				
Expendable:				
Special revenue funds				
Debt service fund				
Capital Projects				
Unrestricted				
<b>Total cash basis net position</b>				

See notes to financial statements.

Exhibit A

**Net (Expense) Revenue  
and Changes in Net Position**

<b>Governmental</b>		<b>Business Type</b>		<b>Total</b>	
<b>Activities</b>		<b>Activities</b>			
\$	(390,006)	\$	-	\$	(390,006)
	262,765		-		262,765
	(2,350)		-		(2,350)
	(186,878)		-		(186,878)
	19,487		-		19,487
	(327,547)		-		(327,547)
	(509,563)		-		(509,563)
	(2,002,958)		-		(2,002,958)
	(3,137,050)		-		(3,137,050)
	-		308,904		308,904
	-		(732,038)		(732,038)
	-		38,740		38,740
	-		(17,297)		(17,297)
	-		(1,578,270)		(1,578,270)
	-		(1,979,961)		(1,979,961)
	(3,137,050)		(1,979,961)		(5,117,011)
	1,120,277		-		1,120,277
	37,948		-		37,948
	303,394		-		303,394
	43,951		2,000		45,951
	-		490,000		490,000
	186,161		3,669,861		3,856,022
	84,500		19,642		104,142
	20,000		-		20,000
	1,536,327		(1,536,327)		-
	3,332,558		2,645,176		5,977,734
	195,508		665,215		860,723
	192,400		2,754,433		2,946,833
\$	387,908	\$	3,419,648	\$	3,807,556
\$	-	\$	95,779	\$	95,779
	141,128		-		141,128
	8,552		150,860		159,412
	1,092,212		-		1,092,212
	(853,984)		3,173,009		2,319,025
\$	387,908	\$	3,419,648	\$	3,807,556

**City of Sibley, Iowa**  
**Statement of Cash Receipts, Disbursements and Changes in**  
**Cash Balances - Governmental Funds - Cash Basis**  
**As of and for the year ended June 30, 2013**

	General	Road Use Tax	Street Improvement Projects
Receipts:			
Property tax	\$ 657,482	\$ -	\$ -
Tax increment financing collections	-	-	-
Local Option Sales Taxes	303,394	-	-
Other city tax	9,665	-	-
Licenses and permits	28,010	-	-
Use of money and property	32,078	-	-
Intergovernmental	25,418	267,953	525,540
Charges for service	172,694	-	-
Special assessments	-	-	-
Bond Proceeds	-	-	-
Miscellaneous	9,383	-	-
Total Receipts	<u>1,238,124</u>	<u>267,953</u>	<u>525,540</u>
Disbursements:			
Operating:			
Public safety	380,494	-	-
Public works	115,722	379,704	-
Health and social services	2,350	-	-
Culture and recreation	317,368	-	-
Community and economic development	16,837	-	-
General government	159,202	-	-
Debt service	-	-	-
Capital projects	-	-	1,815,476.00
Total Disbursements	<u>991,973</u>	<u>379,704</u>	<u>1,815,476</u>
Excess of receipts over disbursements	<u>246,151</u>	<u>(111,751)</u>	<u>(1,289,936)</u>
Other financing sources (uses):			
Sale of capital assets	-	-	-
Operating transfers in	101,550	-	1,225,000
Operating transfers out	(94,205)	-	-
Total other financing sources (uses)	<u>7,345</u>	<u>-</u>	<u>1,225,000</u>
Net change in cash balances	253,496	(111,751)	(64,936)
Cash balances beginning of year	(1,107,480)	156,135	132,450
Cash balances end of year	<u>\$ (853,984)</u>	<u>\$ 44,384</u>	<u>\$ 67,514</u>
<b>Cash Basis Fund Balances</b>			
Nonexpendable:	\$ -	\$ -	\$ -
Restricted for:			
Special revenue funds	-	44,384	-
Debt service fund	-	-	-
Capital Projects	-	-	67,514
Assigned:	-	-	-
Unassigned:	(853,984)	-	-
Total cash basis fund balances	<u>\$ (853,984)</u>	<u>\$ 44,384</u>	<u>\$ 67,514</u>

See notes to financial statements.

**Exhibit B**

		Other Nonmajor Governmental Funds		Total
Debt Service				
\$	267,211	\$	195,584	\$ 1,120,277
	-		37,948	37,948
	-		-	303,394
	-		-	9,665
	-		-	28,010
	-		11,873	43,951
	20,658		6,000	845,569
	-		74,368	247,062
	-		7,751	7,751
	186,161		-	186,161
	-		75,117	84,500
	474,030		408,641	2,914,288
	-		9,512	390,006
	-		43,053	538,479
	-		-	2,350
	-		67,622	384,990
	-		-	16,837
	-		196,354	355,556
	509,563		-	509,563
	-		261,850	2,077,326
	509,563		578,391	4,275,107
	(35,533)		(169,750)	(1,360,819)
	-		20,000	20,000
	33,000		353,255	1,712,805
	(2,723)		(79,550)	(176,478)
	30,277		293,705	1,556,327
	(5,256)		123,955	195,508
	13,808		997,487	192,400
\$	8,552	\$	1,121,442	\$ 387,908
\$	-	\$	-	\$ -
	-		96,744	141,128
	8,552		-	8,552
	-		-	67,514
	-		1,024,698	1,024,698
	-		-	(853,984)
\$	8,552	\$	1,121,442	\$ 387,908

**City of Sibley, Iowa**  
**Statement of Cash Receipts, Disbursements and Changes in**  
**Cash Balances - Proprietary Funds - Cash Basis**  
**As of and for the year ended June 30, 2013**

	<b>Enterprise Funds</b>		
	<b>Water</b>		
	<b>Electric</b>	<b>Including Lewis &amp; Clark</b>	<b>Sewer</b>
Operating receipts:			
Use of money and property	\$ -	\$ -	\$ -
Charge for service	2,729,853	578,933	255,500
Miscellaneous	-	-	-
Total operating receipts	<u>2,729,853</u>	<u>578,933</u>	<u>255,500</u>
Operating disbursements:			
Governmental activities:			
General government	-	-	-
Capital projects	-	-	-
Business type activities	2,363,286	1,310,971	216,760
Total operating disbursements	<u>2,363,286</u>	<u>1,310,971</u>	<u>216,760</u>
Excess (deficiency) of operating receipts over (under)	<u>366,567</u>	<u>(732,038)</u>	<u>38,740</u>
Non-operating receipts (disbursements):			
Grant Proceeds	-	-	-
Loan & bond proceeds	-	856,325	-
Debt service	-	(79,065)	-
Total non-operating receipts (disbursements)	<u>-</u>	<u>777,260</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursement	<u>366,567</u>	<u>45,222</u>	<u>38,740</u>
Operating transfers in	-	-	-
Operating transfers out	<u>(86,200)</u>	<u>(35,205)</u>	<u>(72,012)</u>
Net change in cash balances	280,367	10,017	(33,272)
Cash balances beginning of year	<u>556,145</u>	<u>494,967</u>	<u>261,826</u>
Cash balances end of year	<u>\$ 836,512</u>	<u>\$ 504,984</u>	<u>\$ 228,554</u>
<b>Cash Basis Fund Balances</b>			
Restricted for Debt Service:	\$ -	\$ -	\$ -
Restricted Customer Deposits	-	-	-
Unrestricted:	836,512	504,984	228,554
Total cash basis fund balances	<u>\$ 836,512</u>	<u>\$ 504,984</u>	<u>\$ 228,554</u>

See notes to financial statements.

Exhibit C

Enterprise Funds			Internal Service Funds		
Other					
Golf	Nonmajor Enterprises	Total	Employee Health	Payroll	Total
\$ -	\$ 2,000	\$ 2,000	\$ -	\$ -	\$ -
189,515	290,006	4,043,807	205	-	205
-	19,642	19,642	-	-	-
189,515	311,648	4,065,449	205	-	205
-	-	-	57,868	-	57,868
-	-	-	-	-	-
206,812	1,507,589	5,605,418	-	-	-
206,812	1,507,589	5,605,418	57,868	-	57,868
(17,297)	(1,195,941)	(1,539,969)	(57,663)	-	(57,663)
-	490,000	490,000	-	-	-
-	2,813,536	3,669,861	-	-	-
-	(281,622)	(360,687)	-	-	-
-	3,021,914	3,799,174	-	-	-
(17,297)	1,825,973	2,259,205	(57,663)	-	(57,663)
-	143,214	143,214	20,000	-	20,000
(12,159)	(1,493,965)	(1,699,541)	-	-	-
(29,456)	475,222	702,878	(37,663)	-	(37,663)
(330,563)	1,601,252	2,583,627	170,806	-	170,806
\$ (360,019)	\$ 2,076,474	\$ 3,286,505	\$ 133,143	\$ -	\$ 133,143
\$ -	\$ 150,860	\$ 150,860	\$ -	\$ -	\$ -
-	95,779	95,779			\$ -
(360,019)	1,829,835	3,039,866	133,143	-	133,143
\$ (360,019)	\$ 2,076,474	\$ 3,286,505	\$ 133,143	\$ -	\$ 133,143

**City of Sibley, Iowa**  
**Reconciliation of the Statement of Cash Receipts, Disbursements and**  
**Changes in Cash Balances to the Statement of Activities and**  
**Net Position - Proprietary Funds - Cash Basis**  
**As of and for the year ended June 30, 2013**

**Exhibit D**

**Total enterprise funds cash balances (page 19)** \$ 3,286,505

**Amounts reported for business type activities in the Statement of**  
**Activities and Net Position are different because:**

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. The cash balance of the Internal Service Fund is included in business type activities in the Cash Basis Statement of Activities and Net Position.

133,143

**Cash basis net position of business type activities (page 15)** \$ 3,419,648

**Net change in cash balances (page 19)** \$ 702,878

**Amounts reported for business type activities in the**  
**Statements of Net Position are different because:**

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit to individual funds. The change in the cash balance of the Internal Service Fund is reported with business type activities in the Cash Basis Statement of Activities and Net Position.

(37,663)

**Change in cash balance of business type activities (page 15)** \$ 665,215

See notes to financial statements.

**City of Sibley, Iowa**  
**Notes to Financial Statements**  
**June 30, 2013**

**(1) Summary of Significant Accounting Policies**

The City of Sibley is a political subdivision of the State of Iowa located in Osceola County. It was first incorporated in 1875 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides electric, garbage, water and sewer utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Sibley has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

**Jointly Governed Organizations**

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Osceola County Economic Development Commission, Osceola County Emergency Management Commission, Osceola County Landfill Commission and Osceola County Public Safety Commission.

**B. Basis of Presentation**

Government-wide Financial Statements – The Cash Basis Statement of Activities and Net Position (previously referred to as net assets) reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

*Nonexpendable restricted net position* is subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

*Expendable restricted net position* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often has constraints on cash balances

**City of Sibley, Iowa**  
**Notes to Financial Statements**  
**June 30, 2013**

imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrate the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements ó Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Electric Utility Fund accounts for the operation and maintenance of the City's electricity and generator substation system.

The Water Utility Fund accounts for the operation and maintenance of the City's water system and includes the Lewis and Clark Rural Water System project.

The Sewer Utility Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Golf Course Fund accounts for the operation and maintenance of the City's golf course and clubhouse.

The City also reports the following additional proprietary funds:

An Internal Service Fund is utilized to account for the processing of employee health insurance reimbursement under a deductible reimbursement plan of the City.

**City of Sibley, Iowa**  
**Notes to Financial Statements**  
**June 30, 2013**

C. Measurement Focus and Basis of Accounting

The City of Sibley maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications of committed, assigned and then unassigned balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances:

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable of Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted of Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned of Amounts the Council intends to use for specific purposes.

Unassigned of All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2013, disbursements were less than the amounts budgeted in all functional categories except Public Safety and Debt Service. This was the result of unexpected storm costs and a bond refunding that was not budgeted for.

**City of Sibley, Iowa**  
**Notes to Financial Statements**  
**June 30, 2013**

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City did not have any deposits that qualified as investments at June 30, 2013.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be disbursed in the current budget or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

**(3) Bonds and Notes Payable**

Annual debt service requirements to maturity for revenue bonds and capital loan notes are as follows:

Year Ending June 30,	Revenue Bonds		Capital Loan Notes		TIF Capital Loan Notes		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	83,000	67,860	225,000	36,840	120,000	62,936	428,000	167,636
2015	83,000	65,265	210,000	29,995	120,000	61,980	413,000	157,240
2016	89,000	62,513	210,000	23,530	130,000	60,830	429,000	146,873
2017	89,000	59,663	155,000	16,655	141,000	59,380	385,000	135,698
2018	95,000	56,655	110,000	10,015	141,000	57,633	346,000	124,303
2019 - 2023	519,000	231,515	115,000	5,175	734,000	253,015	1,368,000	489,705
2024 - 2028	535,000	127,550	-	-	824,000	170,008	1,359,000	297,558
2029-2033	435,000	43,550	-	-	735,000	54,558	1,170,000	98,108
Totals	\$ 1,928,000	\$ 714,570	\$ 1,025,000	\$ 122,210	\$ 2,945,000	\$ 780,339	\$ 5,898,000	\$ 1,617,119

Urban Renewal Tax Increment Financing Capital Loan Notes

The City issued \$2,945,000 of urban renewal tax increment financing (TIF) Capital Loan Notes during the fiscal year for the purpose of defraying a portion of the costs of various construction projects within the urban renewal district. The Notes are payable solely from the TIF receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Code 403.19 of the Code of Iowa. TIF receipts are generally projected to be 100% of the debt service requirements over the life of the Notes. The proceeds of the urban renewal TIF capital loan notes shall be expended only for the purposes which are consistent with the plans of the City's urban renewal area. The Notes are not a general obligation of the City. However, the debt is subject to the constitutional debt limits of the City. Total principal and interest remaining on the Notes is \$3,725,339, payable through June 2032. For the current year, interest paid and total TIF receipts were \$54,513 and \$37,948, respectively.

Refinanced Capital Loan Note

On July 12, 2012 the City refinanced its 2005 Capital Loan Note due in 2016 resulting in an interest

**City of Sibley, Iowa**  
**Notes to Financial Statements**  
**June 30, 2013**

saving of approximately 2% on the remaining balance of \$185,000.

Revenue Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$274,000 in sewer revenue notes issued February 2007. Proceeds from the notes provided financing to construct certain wastewater treatment facilities serving the City. The notes are payable solely from sewer customer net receipts and are payable through 2025. The total principal and interest remaining to be paid on the notes is \$220,560. For the current year, principal and interest paid and total net receipts were \$18,490 and \$38,740, respectively.

The resolutions providing for the issuance of the sewer revenue bonds include the following provisions.

- (a) Sewer use charges must be established to a level which produces and maintains net revenues at a level not less than 110% of principal and interest falling due in the same year. The required amount was \$20,218 which was met.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,010,000 in water revenue notes issued May 30, 2007 as well as \$940,000 in water revenue notes issued February 12, 2013. Proceeds from the notes provided financing to pay a portion of the costs of improvements and extensions to the Municipal Water Utility. The notes are payable solely from water customer net receipts and are payable through 2027 and 2033 respectively. The total principal and interest remaining to be paid on the notes is \$2,986,980. For the current year, principal and interest paid and total net receipts were \$86,318 and \$161,702, respectively.

The resolutions providing for the issuance of the water revenue bonds include the following provisions:

- (a) Reserve fund requires deposits equal to 10% of the amount required to maintain a debt service fund.
- (b) Audit report issued by 180 days after fiscal year end.
- (c) Net revenues of the system for the preceding fiscal year need to be 1.10 times the average annual amount that will be required for both principal and interest. The required amount was \$145,607 which was met.

**(4) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.78% of their annual covered salary and the City is required to contribute 8.67% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$82,068, \$74,341 and \$61,524, respectively, equal to the required contributions for each year.

Upon retirement the City agrees that employees may choose to stay on the City's Health Insurance Plan until age 65 as long as the employee pays the full premium amount from the date of retirement to age 65. If the employee meets the requirements of IPERS rules for retirement, the employee may use 50% of accrued sick leave hours and convert to dollars at the current rate of pay to be used for health insurance premiums. This retirement health insurance plan only entitles the employee to the policy as

**City of Sibley, Iowa**  
**Notes to Financial Statements**  
**June 30, 2013**

offered by the health insurance provider. The employee may choose this option or receive 20% cash payout for unused sick leave.

**(5) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave termination payments payable to employees at June 30, 2013, primarily relating to the General Fund and Electric funds, is as follows:

<b>Type of Benefit</b>	<b>Amount</b>
Vacation	\$ 51,777
Sick leave	141,721
Totals	<u>\$ 193,498</u>

This liability has been computed based on rates of pay in effect at June 30, 2013.

**(6) Anticipatory Warrants**

Anticipatory warrants are warrants which are legally drawn on City funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented for redemption. There were no unpaid anticipatory warrants at the end of the year.

**(7) Risk Management**

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 679 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300% of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2013 were \$84,168.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses.

**City of Sibley, Iowa**  
**Notes to Financial Statements**  
**June 30, 2013**

The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location, with excess coverage reinsured by Lexington Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total member's equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2013, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by the amount of capital distributions previously received by the withdrawing member and an amount equal to the annual operating contribution, which the withdrawing member would have made for the one-year period following withdrawal.

**(8) Related Party Transactions**

The City had business transactions between the City and City officials totaling \$94,857 during the year ended June 30, 2013. In addition there is an Economic Development Loan with a City Official which was obtained prior to that City Official becoming a Council Member. The loan totaled \$60,000 of which \$40,000 is a forgivable loan through Tax Increment Financing with the loan balance at June 30, 2013 of \$58,517.38.

**(9) Health Care Facility Revenue Bonds**

The City has issued a total of \$5,800,000 of health care facility revenue bonds under the provisions of Chapter 419 of the Code of Iowa; this was approved November 12, 2007. The bonds and related interest are payable solely from the revenue generated by the Osceola Community Hospital, and the bond principal and interest do not constitute liabilities of the City.

**(10) Senior Housing Revenue Bonds**

The City has issued a total of \$1,296,500 of senior housing revenue bonds under the provisions of Chapter 419 of the Code of Iowa; this was approved January 14, 2008. The bonds and related interest are payable solely from the revenue generated by the Heartwood Heights Project, and the bond principal and interest do not constitute liabilities of the City.

**City of Sibley, Iowa**  
**Notes to Financial Statements**  
**June 30, 2013**

**(11) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<b>Transfer to:</b>	<b>Transfer from:</b>	<b>Amount</b>
Transit Service Fund	General Fund	\$ 13,244
Employee Benefits Fund	General Fund	26,550
Garbage Utility Fund	Emerg Mgmt Fd	10,000
Transit Service Fund	Emerg Mgmt Fd	5,261
Health Insurance Fd	Employee Benefits Fd	20,000
Street Improvements	Electric Improvement Fund	1,225,000
Revolving Loan Fund	Electric Improvement Fund	100,000
General Fund	Electric Utility Fund	75,000
Debt Service Fund	Industrial Park Fund	25,000
Debt Service Fund	Feldkamp Estates Fund	8,000
Water Distr & Impr	Debt Service Fund	2,723
Capital Reserve Fund	Electric Utility Fund	11,200
	Electric Rev Reserve	90,000
	Sewer Utility Fund	50,700
	Garbage Utility Fund	18,455
	Water Utility Fund	2,200
	Water Distr & Impr	15,000
	General Fund	
	Police	11,500
	Fire	10,000
	Library	2,000
	Pool	5,000
	Park	7,000
	Comm Center	4,500
	Civic Center	4,700
	Cemetary	1,000
	Street Department	15,000
	Airport	5,000
		253,255
	Total	\$ 1,764,033

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**(12) Deficit Fund Balance**

The General Fund had a deficit balance of \$853,984 at June 30, 2013. The City is working towards eliminating this deficit over the next several years using the local option sales tax revenue that went into effect July 1, 2008 as well as transfers from the Utility Funds.

The TIF Fund had a deficit balance of \$27,386 at June 30, 2013. Certain engineering fees needed to be paid prior to the issuing of the bonds. The City funded a G O Bond in July 2012 to fund in part the projects represented by these activities.

The Enterprise Funds - Golf Course Fund had a deficit balance of \$360,019 at June 30, 2013. This is the ninth year that the golf course fund is operating as an enterprise fund. The City's goal is to make

**City of Sibley, Iowa**  
**Notes to Financial Statements**  
**June 30, 2013**

the golf course self-sufficient in the future years.

**(13) Contingency**

The City has a self-insurance program in place for the medical insurance that it provides to its employees. Under the program, the employee pays a deductible of \$250 for family coverage and \$250 for single coverage. The insurance policies that the City maintains provide for a \$5,000 deductible for family coverage and \$2,500 single coverage for each calendar year. The City is therefore, liable for the difference in these deductible amounts for each employee. As of June 30, 2013, the unrecognized amount of this total difference amounts to a potential liability to the City of \$49,143.

**(14) Capital Lease**

The City acquired a sanitation truck under a long-term lease. The City entered into the capital lease on May 29, 2009 with an initial payment of \$40,000. Future minimum lease payments under this capital lease at June 30, 2013 are as follows:

	<u>Interest</u>	<u>Principal</u>	<u>Total Payment</u>
2014	\$ 3,774	\$ 26,577	\$ 30,351
2015	3,058	27,293	30,351
2016	2,324	28,027	30,351
2017	1,570	28,781	30,351
2018	796	29,555	30,351
	<u>\$ 11,522</u>	<u>\$ 140,233</u>	<u>\$ 151,755</u>

**(15) Construction Commitments**

On April 24, 2012, the City awarded a contract for the South Elevated Tank Project to Phoenix Fabricators, Inc. in the amount of \$978,900. The project includes some rehab work on the existing North Elevated Tank. The construction started in May 2012 and is ongoing. A change order was approved on April 22, 2013 in the amount of \$2,500 bringing the total contract to \$981,400. As of June 30, 2013, the sixth pay request for work through June, 2013 in the amount of \$137,601.80 had not been received. It was received, approved and paid in July 2013. The retention to date on the contract is \$45,107.20.

On May 29, 2012, the City awarded a contract for the Second Avenue Street Improvements Project to Godbersen-Smith Construction Company in the amount of \$1,570,332.50. Approved change orders increased the contract to \$1,769,973.50. The construction started in June 2012 and is ongoing. As of June 30, 2013, pay request #9 for work through November 2012 in the amount of \$22,078.30 was received, approved and paid in December 2012. The retention to date on the contract is \$30,000.

**(16) Jointly Governed Organizations**

The City is a member of the Lewis and Clark Regional Water System, Inc. (the "System"). The System's twenty members include fifteen municipalities and five rural water systems within South Dakota, Iowa, and Minnesota that provide drinking water to consumers. The System will collect, treat and distribute drinking water to its members when the water treatment plant and pipelines are completed to members. The System's board of directors is comprised of twenty directors, one from each member. No member of the System has an equity interest.

The City has entered into a commitment for (1) the City's portion of the base system costs and (2) the City's costs associated with additional capacity modifications for the Lewis and Clark Regional Water System.

**City of Sibley, Iowa**  
**Notes to Financial Statements**  
**June 30, 2013**

**(17) Economic Development**

The City of Sibley maintains a Revolving Loan Fund wherein money is loaned to local businesses to assist with start-ups and expansions. The Fund was created through funding from the City as well as grants from USDA Rural Development. As of June 30, 2013, the Fund had 10 outstanding economic development loans with current balances totaling \$269,272.76 having original balances of \$414,925.00 with interest rate at 4 ½%. Loan payment receipts for the current year were \$73,561.56. Loans are approved based on number of projected jobs to be created by the activity and overall ability to service the debt. Loans usually are limited to 40% of the proposed project with the balance of the funds needing to come from the Owner's Equity and Conventional Financing. A total of 41 new FT and 11 PT jobs were projected to be created by the businesses who received the loans as well as numerous jobs retained by the businesses through assistance from the Revolving Loan Fund Program.

The Fund also has a 5 year internal loan from the Electric Improvement Fund with a balance of \$80,784.16 at June 30, 2013. Loan payments to the internal loan were \$21,215.84 for the current year.

**(18) Interfund Loans**

The Electric Improvement Fund loaned money to the Golf Fund to purchase a new mower in July 2010. The total amount of the loan was originally \$33,551 with an interest rate of 2% and annual payments of \$8,811.29 through FY 2014. The remaining balance of the loan on June 30, 2013 was \$8,638.51 principal and \$172.78 of interest. The interest paid in the current year was \$342.15.

**City of Sibley, Iowa**  
**Other Information**

**City of Sibley, Iowa**  
**Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances -**  
**Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds**  
**Other Information**  
**Year ended June 30, 2013**

	<b>Governmental Funds Actual</b>	<b>Proprietary Funds Actual</b>	<b>Less Funds not Required to be Budgeted</b>
Receipts:			
Property tax	\$ 1,120,277	\$ -	\$ -
Tax increment financing collections	37,948	-	-
Local Option Sales Taxes	303,394		
Other city tax	9,665	-	-
Licenses and permits	28,010	-	-
Use of money and property	43,951	2,000	-
Intergovernmental	845,569	-	-
Charges for service	247,062	4,044,013	-
Special assessments	7,751	-	-
Bond Proceeds	186,161	3,669,861	-
Grant Proceeds		490,000	-
Miscellaneous	84,500	19,642	-
Total receipts	<u>2,914,288</u>	<u>8,225,516</u>	<u>-</u>
Disbursements:			
Public safety	390,006	-	-
Public works	538,479	-	-
Health and social services	2,350	-	-
Culture and recreation	384,990	-	-
Community and economic development	16,837	-	-
General government	355,556	-	-
Debt service	509,563	-	-
Capital projects	2,077,326	-	-
Business type activities	-	6,023,972	-
Total disbursements	<u>4,275,107</u>	<u>6,023,972</u>	<u>-</u>
Excess of receipts over disbursements	(1,360,819)	2,201,544	-
Other financing sources, net	<u>1,556,327</u>	<u>(1,536,327)</u>	<u>-</u>
Excess of receipts and other financing sources over disbursements and other financing uses	195,508	665,217	-
Balances beginning of year	<u>192,400</u>	<u>2,754,431</u>	<u>-</u>
Balances end of year	<u><u>\$ 387,908</u></u>	<u><u>\$ 3,419,648</u></u>	<u><u>\$ -</u></u>

See accompanying independent auditor's report.

Total Actual	Budgeted Amounts		Final to Actual Variance
	Original	Final	
\$ 1,120,277	\$ 1,121,282	\$ 1,121,282	\$ (1,005)
37,948	38,987	38,987	(1,039)
303,394	180,000	180,000	123,394
9,665	22,728	22,728	(13,063)
28,010	25,925	25,925	2,085
45,951	32,410	32,410	13,541
845,569	861,143	861,143	(15,574)
4,291,075	4,083,950	4,083,950	207,125
7,751	8,000	8,000	(249)
3,856,022	2,777,750	2,777,750	1,078,272
490,000	475,000	475,000	15,000
104,142	126,480	126,480	(22,338)
11,139,804	9,753,655	9,753,655	1,386,149
390,006	352,921	377,921	12,085
538,479	564,430	539,430	(951)
2,350	2,350	2,350	-
384,990	389,275	389,275	(4,285)
16,837	17,000	17,000	(163)
355,556	177,525	357,525	(1,969)
509,563	324,190	324,190	185,373
2,077,326	2,372,005	2,372,005	(294,679)
6,023,972	6,546,681	6,546,681	(522,709)
10,299,079	10,746,377	10,926,377	(627,298)
840,725	(992,722)	(1,172,722)	2,013,447
20,000	-	-	20,000
860,725	(992,722)	(1,172,722)	2,033,447
2,946,831	3,219,848	3,219,848	(273,017)
\$ 3,807,556	\$ 2,227,126	\$ 2,047,126	\$ 1,760,430

**City of Sibley, Iowa**  
**Notes to Other Information – Budgetary Reporting**  
**June 30, 2013**

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregate function level, not the fund. During the year, one budget amendment was approved increasing the disbursements by \$180,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the public safety and debt service functions.

## **Supplementary Information**

**City of Sibley, Iowa**  
**Statement of Cash Receipts, Disbursements and**  
**Changes in Cash Balances - Governmental Funds - Nonmajor Governmental Funds**  
**As of and for the year ended June 30, 2012**

	<b>Special Revenue Employee Benefit</b>	<b>Urban Renewal Tax Increment</b>
Receipts:		
Property tax	\$ 195,584	\$ -
Tax increment financing collections	-	37,948
Use of money and property	-	-
Intergovernmental	-	6,000
Charges for service	-	-
Special assessments	-	-
Miscellaneous	-	-
Total Receipts	<u>195,584</u>	<u>43,948</u>
Disbursements:		
Operating:		
Public safety	9,512	-
Public works	43,053	-
Culture and recreation	67,622	-
General government	17,657	-
Capital projects	-	58,836
Total Disbursements	<u>137,844</u>	<u>58,836</u>
Excess of receipts over disbursements	<u>57,740</u>	<u>(14,888)</u>
Other financing sources (uses):		
Sale of capital assets	-	-
Operating transfers in	-	-
Operating transfers out	(46,550)	-
Total other financing sources (uses)	<u>(46,550)</u>	<u>-</u>
Net change in cash balances	11,190	(14,888)
Cash balances beginning of year	<u>36,265</u>	<u>(12,498)</u>
Cash balances end of year	<u><u>\$ 47,455</u></u>	<u><u>\$ (27,386)</u></u>
<b>Cash Basis Fund Balances</b>		
Nonexpendable:	\$ -	\$ -
Restricted for:		
Special revenue funds	47,455	(27,386)
Assigned:	-	-
Total cash basis fund balances	<u><u>\$ 47,455</u></u>	<u><u>\$ (27,386)</u></u>

**Schedule 1**

<b>Revolving Loan Fund</b>	<b>Nonmajor Special Revenue and Capital Projects</b>	<b>Other Nonmajor Governmental Funds Totals</b>
\$ -	\$ -	\$ 195,584
-	-	37,948
11,873	-	11,873
-	-	6,000
-	74,368	74,368
-	7,751	7,751
75,117	-	75,117
86,990	82,119	408,641
-	-	9,512
-	-	43,053
-	-	67,622
178,697	-	196,354
-	203,014	261,850
178,697	203,014	578,391
(91,707)	(120,895)	(169,750)
-	20,000	20,000
100,000	253,255	353,255
-	(33,000)	(79,550)
100,000	240,255	293,705
8,293	119,360	123,955
68,382	905,338	997,487
\$ 76,675	\$ 1,024,698	\$ 1,121,442
\$ -	\$ -	\$ -
76,675	-	96,744
-	1,024,698	1,024,698
\$ 76,675	\$ 1,024,698	\$ 1,121,442

See accompanying independent auditor's report.

**City of Sibley, Iowa**  
**Schedule of Indebtedness**  
**Year ended June 30, 2013**

<b>Obligation</b>	<b>Date of Issue</b>	<b>Interest Rate</b>	<b>Amount Originally Issued</b>	<b>Balance Beginning of Year</b>
<b>G O Capital Loan Notes:</b>				
Street Projects - 2005 Series	9/28/2005	4.05 to 4.35%	\$ 410,000	\$ 185,000
2003 Capital Improvements	1/1/2003	4.40%	580,000	70,000
Fire Truck and Airport Hanger	10/15/2006	4.0 to 4.25%	430,000	235,000
Gen Oblig Capital Loan Notes 2008B	12/15/2008	3.85 to 4.5%	1,140,000	755,000
Gen Oblig Capital Loan Notes 2012	7/12/2012	.65% to 3.15%	2,500,000	-
Totals				<u>\$ 1,245,000</u>
<b>TIF Capital Loan Notes</b>				
Gen Oblig Capital Loan Notes 2012	7/12/2012	.65% to 3.15%	2,500,000	-
Gen Oblig Capital Loan Notes 2012B	10/12/2012	1.75%	450,000	-
Totals				<u>\$ -</u>
<b>Revenue bonds:</b>				
2008 Refunding Revenue	10/1/2008	3.40%	960,000	250,000
2006 Sewer Revenue	2/1/2006	3%	274,000	196,000
2007 Water Revenue	5/30/2007	4.5 to 4.75%	1,010,000	845,000
2013 Water Revenue	2/12/2013	1.35% to 3.25%	940,000	-
Totals				<u>\$ 1,291,000</u>
<b>Capital Leases:</b>				
				-
2008 Sanitation Truck	5/29/2008	4.99%	\$ 116,890	\$ 16,911
2013 Sanitation Truck	6/26/2013	2.69%	\$ 140,233	-
Totals				<u>\$ 16,911</u>

See accompanying independent auditor's report.

## Schedule 2

Issued		Redeemed		Balance		Interest		Interest	
During		During		End of		Paid		Due and	
Year		Year		Year				Unpaid	
\$	-	\$	185,000	\$	-	\$	886	\$	-
	-		70,000		-		582		-
	-		45,000		190,000		9,667		656
	-		110,000		645,000		31,665		2,285
	190,000		-		190,000		50,196		129
\$	190,000	\$	410,000	\$	1,025,000	\$	92,996	\$	3,069
	2,500,000		-		2,500,000		-		4,592
	445,000		-		445,000		4,317		653
\$	2,945,000	\$	-	\$	2,945,000	\$	4,317	\$	5,245
	-		250,000		-		4,250	\$	-
	-		13,000		183,000		5,880		458
	-		40,000		805,000		38,565		3,064
	940,000		-		940,000		7,753		2,134
\$	940,000	\$	303,000	\$	1,928,000	\$	56,448	\$	5,656
\$	-	\$	16,911	\$	-	\$	488	\$	-
	140,233		-		140,233		-		315
\$	140,233	\$	16,911	\$	140,233	\$	488	\$	315

**City of Sibley, Iowa**  
**Bond and Note Maturities**  
**June 30, 2013**

Year Ending June 30	REVENUE BONDS					
	Sewer Project Issued February 1, 2006		Water - Lewis & Clark Issued May 30, 2007		Water - Refunding OCRWS Issued February 12, 2013	
	Interest Rates	Amounts	Interest Rates	Amounts	Interest Rates	Amounts
2014	3.00%	13,000	4.50%	40,000	1.35%	30,000
2015	3.00%	13,000	4.50%	45,000	1.35%	25,000
2016	3.00%	14,000	4.50%	45,000	1.35%	30,000
2017	3.00%	14,000	4.50%	50,000	1.35%	25,000
2018	3.00%	15,000	4.50%	50,000	1.35%	30,000
2019	3.00%	15,000	4.50%	55,000	2.30%	25,000
2020	3.00%	15,000	4.50%	55,000	2.30%	30,000
2021	3.00%	16,000	4.50%	55,000	2.30%	35,000
2022	3.00%	16,000	4.50%	60,000	2.30%	30,000
2023	3.00%	17,000	4.55%	65,000	2.30%	30,000
2024	3.00%	17,000	4.60%	65,000	2.85%	35,000
2025	3.00%	18,000	4.65%	70,000	2.85%	35,000
2026		-	4.70%	75,000	2.85%	30,000
2027		-	4.75%	75,000	2.85%	35,000
2028		-		-	2.85%	80,000
2029		-		-	3.25%	80,000
2030		-		-	3.25%	85,000
2031		-		-	3.25%	85,000
2032		-		-	3.25%	90,000
2033		-		-	3.25%	95,000
TOTAL		<u>\$ 183,000</u>		<u>\$ 805,000</u>		<u>\$ 940,000</u>

Year Ending June 30	CAPITAL LOAN NOTES					
	Fire Truck & Airport Hanger Issued October 15, 2006		Equipment & Improvements Issued December 15, 2008		Water Distr System Project Issued July 12, 2012	
	Interest Rates	Amounts	Interest Rates	Amounts	Interest Rates	Amounts
2014	4.05%	45,000	4.00%	115,000.00	0.65%	65,000
2015	4.10%	45,000	4.10%	100,000.00	0.80%	65,000
2016	4.15%	50,000	4.20%	100,000.00	1.00%	60,000
2017	4.25%	50,000	4.30%	105,000.00		-
2018		-	4.40%	110,000.00		-
2019		-	4.50%	115,000.00		-
TOTAL		<u>\$ 190,000</u>		<u>\$ 645,000</u>		<u>\$ 190,000</u>

**TIF CAPITAL LOAN NOTES**

**Schedule 3**

<b>Year Ending June 30</b>	<b>Water Distr System Project Issued July 12, 2012</b>		<b>SRF Water System Project Issued October 19, 2012</b>	
	<b>Interest</b>		<b>Interest</b>	
	<b>Rates</b>	<b>Amounts</b>	<b>Rates</b>	<b>Amounts</b>
2014	0.65%	100,000.00	2.00%	20,000.00
2015	0.80%	100,000.00	2.00%	20,000.00
2016	1.00%	110,000.00	2.00%	20,000.00
2017	1.15%	120,000.00	2.00%	21,000.00
2018	1.30%	120,000.00	2.00%	21,000.00
2019	1.55%	120,000.00	2.00%	22,000.00
2020	1.80%	120,000.00	2.00%	22,000.00
2021	2.00%	125,000.00	2.00%	23,000.00
2022	2.15%	125,000.00	2.00%	23,000.00
2023	2.35%	130,000.00	2.00%	24,000.00
2024	2.35%	135,000.00	2.00%	24,000.00
2025	2.35%	135,000.00	2.00%	24,000.00
2026	2.50%	140,000.00	2.00%	25,000.00
2027	2.60%	145,000.00	2.00%	25,000.00
2028	3.00%	145,000.00	2.00%	26,000.00
2029	3.00%	150,000.00	2.00%	27,000.00
2030	3.00%	155,000.00	2.00%	27,000.00
2031	3.15%	160,000.00	2.00%	28,000.00
2032	3.15%	165,000.00	2.00%	23,000.00
<b>TOTAL</b>		<u><u>\$ 2,500,000</u></u>		<u><u>\$ 445,000</u></u>

See accompanying independent auditor's report.

**City of Sibley, Iowa**  
**Schedule of Receipts by Source and Disbursements**  
**By Function - All Governmental Funds**  
**For the Last Ten Years**

	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>Receipts:</b>				
Property tax	\$ 1,120,277	\$ 1,086,682	\$ 1,048,671	\$ 1,038,534
Tax increment financing collections	37,948	666	43,715	4,185
Local Option Sales Taxes	313,059	284,165	194,746	191,464
Licenses and permits	28,010	26,537	25,163	28,425
Use of money and property	43,951	25,976	24,617	19,885
Intergovernmental	845,569	308,153	320,278	275,706
Charges for service	247,062	241,259	204,251	133,121
Special assessments	7,751	-	-	-
Grant proceeds	-	1,379	52,410	214,805
Bond proceeds	186,161	-	-	-
Miscellaneous	104,500	100,003	169,571	28,652
Total	<u>\$ 2,934,288</u>	<u>\$ 2,074,820</u>	<u>\$ 2,083,422</u>	<u>\$ 1,934,777</u>
<b>Disbursements:</b>				
Operating:				
Public safety	\$ 390,006	\$ 341,329	\$ 331,873	\$ 324,811
Public works	538,479	541,506	374,353	427,096
Health and social services	2,350	2,330	2,330	2,330
Culture and recreation	384,990	398,030	353,512	359,940
Community and economic development	16,837	16,820	12,621	14,224
General government	355,556	248,722	302,313	172,246
Debt service	509,563	319,105	318,013	347,190
Capital projects	2,077,326	305,318	358,138	613,057
Total	<u>\$ 4,275,107</u>	<u>\$ 2,173,160</u>	<u>\$ 2,053,153</u>	<u>\$ 2,260,894</u>

See accompanying independent auditor's report.

Schedule 4

2009	2008	2007	2006	2005	2004
\$ 927,265	\$ 877,354	\$ 796,865	\$ 762,082	\$748,678	\$791,530
5,925	180,349	163,874	161,601	198,285	139,212
263,881	-	-	-	3,327	15,379
23,240	24,463	25,064	25,118	20,720	22,965
47,788	42,812	49,722	31,222	16,570	18,148
256,327	262,780	254,436	377,113	252,974	253,370
157,932	157,697	180,268	160,167	186,258	173,172
2,030	20,545	28,311	13,197	28,046	23,005
106,491	-	-	-	506,505	619,377
1,101,230	-	430,000	660,476	-	-
225,009	14,089	12,562	28,533	9,428	110,226
<u>\$ 3,117,118</u>	<u>\$ 1,580,089</u>	<u>\$ 1,941,102</u>	<u>\$ 2,219,509</u>	<u>\$ 1,970,791</u>	<u>\$ 2,166,384</u>

\$ 317,098	\$ 298,363	\$ 300,415	\$ 266,814	\$ 271,709	\$315,545
481,413	356,800	308,104	735,142	470,917	295,345
1,830	1,830	1,830	1,830	1,830	1,830
408,420	348,178	311,093	340,855	291,365	297,228
11,766	18,591	153,328	63,187	327,432	6,104
187,931	266,106	224,711	225,712	275,337	694,879
425,745	416,302	374,491	363,834	482,075	491,450
836,320	124,086	211,777	450,720	572,264	361,990
<u>\$ 2,670,523</u>	<u>\$ 1,830,256</u>	<u>\$ 1,885,749</u>	<u>\$ 2,448,094</u>	<u>\$ 2,692,929</u>	<u>\$ 2,464,371</u>

**City of Sibley, Iowa**

**City of Sibley, Iowa**  
**Schedule of Expenditures of Federal Awards**  
**Year ended June 30, 2013**

**Schedule 5**

<b>Grantor/Program</b>	<b>CFDA Number</b>	<b>Grant Number</b>	<b>Expenditures</b>
Indirect:			
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	03-11-STPU-025	\$ 525,540
Total			<u>\$ 525,540</u>

**Basis of Presentation**

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Sibley and is presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

See accompanying independent auditor's report.

Paul T. East, CPA  
Paul W. Vander Woude, CPA  
Rose M. Grant, CPA, MST

707 WEST 11<sup>th</sup> Street  
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**Independent Auditor's Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards**

To the Honorable Mayor and  
Members of the City Council  
Sibley, Iowa:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sibley, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated November 25, 2013. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Sibley's internal control over financial reporting to determine our audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinions on the effectiveness of City of Sibley's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Sibley's internal control.

*A deficiency in internal control* exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City of Sibley's financial statements will not be prevented or detected and correct misstatements on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal

control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Sibley's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an object of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit is based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### **City of Sibley's Responses to Findings**

City of Sibley's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. City of Sibley's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of the City of Sibley during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*East, Vander Woude, Grant & Co., P.C.*

East, Vander Woude, Grant & Co., P.C.  
Certified Public Accountants  
Sioux Falls, SD  
November 25, 2013

Paul T. East, CPA  
Paul W. Vander Woude, CPA  
Rose M. Grant, CPA, MST

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**Independent Auditor's Report on Compliance for Each Major  
Program, on Internal Control Over Compliance and the Schedule of  
Expenditures of Federal Awards Required By OMB Circular A-133**

To the Honorable Mayor and  
Members of the City Council  
Sibley, Iowa

**Report on Compliance for Each Major Federal Program**

We have audited City of Sibley, Iowa's compliance with the types of compliance requirements described in the in U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on the City of Sibley, Iowa's major federal program for the year ended June 30, 2013. City of Sibley, Iowa's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of City of Sibley's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Sibley's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Sibley's compliance.

**Opinion on Each Major Federal Program**

In our opinion, City of Sibley complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

## **Report on Internal Control Over Compliance**

The management of City of Sibley is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Sibley's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Sibley's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*East, Vander Woude, Grant & Co., P.C.*

East, Vander Woude, Grant & Co., P.C.  
Certified Public Accountants  
Sioux Falls, SD  
November 25, 2013

**City of Sibley, Iowa**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2013**

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursement, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) There were no significant deficiencies or material weaknesses in internal control over financial reporting that were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) There were no material weaknesses in internal control over the major program that was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose any audit findings which would be required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 20.205 of U.S. Department of Transportation of Highway Planning and Construction.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) City of Sibley did not qualify as a low-risk auditee.

**City of Sibley, Iowa**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2013**

**Part II: Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES:**

No matters were noted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**Part III: Findings and Questioned Costs For Federal Awards**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

No matters were noted.

**City of Sibley, Iowa**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2013**

**Part IV: Other Findings Related to Statutory Reporting:**

IV-A-13 Certified Budget ó Disbursements during the year ended June 30, 2013 exceeded the amounts budgeted in the public safety and debt service functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation ó The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response ó The budget will be amended in the future, if applicable.

Conclusion ó Response accepted

IV-B-13 Questionable Disbursements ó No disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-13 Travel Expense ó No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-13 Business Transactions ó Business transactions between City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Jayson VandeHoef, Council Member until November 2012, Bosma Water Service	Supplies for Sewer and Golf funds	\$432.37
Mike Groote, Council Member, employee of Cooperative Energy	Tires, repairs and maintenance expenses	\$94,424.57
Larry Pedley, Council Member starting January 2013, Owner Max Theater	Economic Development loan prior to becoming a council member, part of loan is forgivable.	\$60,000

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the Council Member VandeHoef do not appear to represent conflicts of interest since total transactions with the individual were less than \$1,500 during the fiscal year. The transactions with the Council Member Groote's employer Cooperative Energy (Coop) do not appear to represent conflicts of interest as the decision to use the Coop is made by the Department Heads and is the only business within the City of Sibley that provides those services and products.

Recommendation ó The City should be aware of the potential for a conflict of interest when dealing with members of the City Council, its employees, and relatives of council and employees. The City should consult with its attorney before entering into any transactions with these people.

Response ó The City will consult with our attorney.

Conclusion ó Response accepted.

**City of Sibley, Iowa**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2013**

- IV-E-13 Bond Coverage ó Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-13 Council Minutes ó There were two transactions were found that we believe should have been approved in the Council minutes but were not as required by Chapter 372.13(6) of the Iowa Code.
- Although the City Council proceedings were published within the 15 days of the meeting, they did not include a summary receipts as required by Chapter 372.13(6) of the Iowa Code.
- Recommendation ó The City should comply with Chapter 372.13(6) of the Iowa Code.
- Response ó The City will comply with Chapter 372.13(6) of the Iowa Code.
- Conclusion ó Response accepted
- IV-G-13 Deposits and Investments ó No instances of non-compliance with the deposits and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the City's investment policy were noted.
- IV-H-13 Revenue Bonds and Notes ó No instances of non-compliance with the revenue bond and note resolutions were noted.
- IV-I-13 Financial Condition ó The following funds had deficit balances at June 30, 2013: General Fund of \$853,984; Special Revenue Fund ó TIF of \$27,386; and Enterprise Funds ó Golf Course Fund of \$360,089.
- Recommendation ó The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.
- Response ó The deficits are due to various reasons and the City is taking measures to eliminate the deficits in the funds.
- Conclusion ó Response accepted.
- IV-J-13 Economic Development ó The City paid \$42,614 to the Osceola County Economic Development Committee which may not be an appropriate disbursement of public funds.
- In accordance with Chapter 15A of the Code of Iowa and an Attorney General's opinion dated August 28, 1986, government financing of economic development may, in appropriate circumstances, serve a public purpose. The opinion advises the governing body to evaluate the public benefits to be obtained and discusses specific criteria to be considered in documenting the public purpose.
- Recommendation ó The Council should continue to evaluate and document the public purpose served by the disbursements before authorizing further payments and should require the Development Committee to provide documentation of how the funds were used to accomplish economic development activities.
- Response ó We will continue to evaluate and document the public purpose for the economic development annually.
- Conclusion ó Response accepted.
- IV-K-13 Urban Renewal Annual Report ó The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.